Government of
Saskatchewan

2006 – 2007
Annual Report

Saskatchewan
Property
Management

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This annual report is also avaialble in electronic format from the Department's web site at www.spm.gov.sk.ca

Letter of Transmittal

His Honour the Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report for Saskatchewan Property Management for the fiscal year ending March 31, 2007.

Clay Serby

Clay Serby
Minister of Property Management

The Honourable Clay Serby
Minister of Property Management

I have the honour of submitting the Annual Report for Saskatchewan Property Management for the fiscal year ending March 31, 2007.

Deb McDonald

Deb McDonald
Deputy Minister

Introduction

The 2006-07 fiscal year marked Saskatchewan Property Management's second year as a government department. The Department is working to further improve performance measures in future performance plans, and this work will be reflected in future annual reports.

This report measures the Department's work to provide effective and value-added services for clients, to provide sustainable property infrastructure, and to create and maintain partnerships that benefit government and communities. As well, a number of actions are related to the Government's Green Strategy, as highlighted in the Results at a Glance section.

This annual report describes results from the 2006-07 Performance Plan, which can be found at:
http://www.spm.gov.sk.ca/docs/spm_performance_plan_2006-07.pdf

The government-wide plan and budget documents are available at:
http://www.gov.sk.ca/finance/budget/budget06/budgetsummary.pdf

Who We Are

Saskatchewan Property Management (SPM) manages the vast and varied infrastructure and assets required for the provincial government to deliver necessary services and programming. Whether that is providing reliable transportation, finding adequate office space for public servants to work in, making sure mail reaches its destination, or implementing new telecommunications technology, SPM serves the government, often behind the scenes. By providing efficient and effective services for day-to-day operations, SPM supports other departments by enabling them to focus on their specific mandates to serve the people of Saskatchewan.

Vision

- To provide the best property management and support services for best value to public agencies in Saskatchewan

Mandate

- To support public agency program delivery by providing best value for client requirements in the areas of accommodation, property management, furnishings and supplies, transportation, purchasing, risk management, records management, telecommunications and mail services

SPM by numbers

- 834.5 full time equivalent employees
- Leases or owns 774 buildings
- Owns more than 5,200 vehicles
- Operates 6 aircraft
- Houses over 140,000 boxes of archive storage
- Processes 25 million pieces of mail per year
- Purchases $125 million in goods per year
- Manages $1.9 billion worth of property (replacement value)

Commercial Services

- **Transportation** – The Central Vehicle Agency (CVA) provides vehicles and fleet management services to executive government departments, some Crown corporations, and other publicly funded organizations. Air transportation services include Air Ambulance Service to residents and Executive Air Service for elected officials.

- **Purchasing** – This branch conducts competitions for public service goods and services.

- **Relocation Services** – A full range of relocation services is managed for government employees.

- **Records Management** – SPM provides a central, secure storage facility for warehousing and retrieving government documents and disposal of documents following Saskatchewan Archives Board approval.

- **Mail Services** – SPM handles mail for government departments, boards, commissions, crown corporations, and some authorized public agencies.

- **Distribution Centre** – This centre provides office and janitorial supplies to clients and achieves savings to government by bulk purchasing and centralized warehousing.

Accommodation Services

The Accommodation Services division ensures that government departments and agencies have the office and program space required to deliver government services. It provides planning, construction project management, building operation and maintenance, leasing, property purchase, real estate, property disposal, security, and furniture.

Corporate Support Services

Corporate Support Services division includes human resources, financial services, central administration, and risk management services. The division supports the program areas of the Department by providing centralized budgeting, accounting, internal audits, human resources and consultative services, payroll and administrative services, learning and development, as well as risk management and investigative services. The division also develops the strategic plan, departmental policies, and business improvement initiatives.

Information Services

The Information Services division manages SPM's information technology assets and maintains and operates all the departmental software applications, such as ShopSPM. The division also provides services to government departments and agencies, including Centrex and VoIP phone services and the web-based government directory (www.gtds.gov.sk.ca).

This division also manages the Department's general communications, such as the web site and publications.

Risk Management

As a building owner, project manager, and employer, Saskatchewan Property Management has a moral and legal responsibility to manage risk. SPM is required by federal and provincial legislation and municipal bylaws to protect the public who use our buildings, the tenants who work in our buildings and our employees.

An internal risk management team conducts an annual risk review, using a variety of techniques, including interviewing key personnel, conducting site inspections of high value facilities, and reviewing both external and internal reports generated from a variety of sources.

The following is a summary of the key risks facing the Department and our plans and activities to manage these risks.

- Aging Infrastructure

  SPM manages the risk of aging infrastructure through ongoing preventative maintenance as well as systematic information gathering and analysis. Accessibility improvements, fire protection, and major preventative maintenance are high priority, while other projects are determined by building condition and program needs. When key facilities are no longer meeting requirements, SPM considers major retrofits, capital improvements, replacement, or even decommissioning of the buildings.

- Succession Planning

  SPM values its employees and their collective wealth of knowledge and skills, and faces the same demographic challenges as other North American employers. To actively recruit and retain valuable employees, SPM is implementing a formal succession plan called Building Future Leaders, implementing a broader series of supervisory and leadership modules for staff, working with the Public Service Commission to implement market supplements when required, and encouraging supportive policies and practices aligned with the Statement of Organizational Culture.

- Market Risk

  SPM faces the constant risk of an unpredictable and ever-changing marketplace. Volatile fuel prices and rising lease costs, for example, have a significant impact on SPM's operations. To adjust and respond to the dynamic market conditions, SPM continually reviews how well its programs and practices are meeting the needs of its clients, and conducts ongoing reviews of its operational costs.

- Business Continuity Management

  SPM needs to be able to respond to client needs in the event of an emergency. SPM is managing this risk through the development of disaster recovery plans, business continuity planning, pandemic planning, and other related activities.

2006-07 Results at a Glance

Summary of Performance Results

Contributing to the Government of Saskatchewan's Green Strategy

- Three government facilities have been upgraded at a cost of $1.7 million to achieve an overall decrease in energy consumption of 16 per cent for these facilities.
- The Saskatchewan Disease Control Laboratory, the replacement of the 1913 section of the Regina Correctional Centre, and Century Plaza in Regina have been designed to achieve international Leadership in Energy and Environmental Design® (LEED) certification.
- Ninety-five E-85 vehicles (capable of using 85 per cent ethanol blend gasoline) have been purchased in 2006-07.
- Although opportunities to enhance paper recycling were investigated, it was decided that separating types of paper does not significantly enhance recycling processes.
- SPM purchased 18.9 million kWhs of green energy (wind generated electricity) in 2006-07, representing approximately 23 per cent of the electricity requirements of government.

Other significant initiatives

- Voice over Internet Protocol (VoIP) is a relatively new technology that allows phone calls to be made via the internet instead of traditional phone lines. A switch to this technology, which SPM will implement over the next three years, will translate into significant savings for government. SPM's head office, Century Plaza, is already transferred to VoIP.
- SPM owns six aircraft for the government, three of which are used for Air Ambulance and three for Executive Air. An aging fleet has necessitated the purchases of two new King Air B200 aircraft, and one previously leased King Air B200 aircraft was also purchased. In 2007-08, one King Air B200 aircraft will be moved from Air Ambulance to Executive Air to replace a decommissioned Cheyenne aircraft.

Summary of Financial Results

Effective April 1, 2005, Saskatchewan Property Management (SPM) was established to replace the Saskatchewan Property Management Corporation.

Most of the Department's programs operate on the principles of shared services and net budgeting which are set out in legislation in *The Financial Administration Act, 1993*. The Act allows for departments to provide shared services to other departments and to charge those departments for the costs of those services.

The cost of shared services is allocated to departments and this cost is described as internal recoveries, because the departments receiving those services are internal to the General Revenue Fund (GRF). In essence, SPM charges departments for accommodation, transportation and other services provided to them. These charges are reflected in the financial results for the respective departments.

The Act also allows a form of net budgeting for services provided by a department to government organizations that are outside of executive government. The provision of services to and recovery of the cost of those services from agencies external to the GRF are described as external recoveries. SPM charges a recovery fee (price) for those services.

Following the Department's pricing principle of cost recovery, the expenses of SPM's Central Management and Services subvote are allocated to program subvotes and those costs are reflected in the full cost recovery rate structure. The cost of providing Executive Government's purchasing function is appropriated and is not recovered through charges to departments. Some other costs are not recovered and are directly appropriated. In 2006-07 these costs include:

- Operations and Maintenance of the Legislative Assembly;
- Energy Performance investments; and
- Wind Energy.

The Department's 2006-07 expenditure budget (appropriation) was $34.266 million, including $24.324 million for capital asset acquisitions. In the fall of 2006, the Legislature approved an additional $2.8 million required to provide for the buy-out of a leased aircraft. This additional funding allowed SPM to continue to provide the same level of air service for the Premier, Cabinet Ministers, MLAs, and the Lieutenant Governor. Furthermore, in the spring of 2007, the Legislature approved $5.1 million for the decommissioning costs related to the agreement to transfer the Souris Valley Regional Care Centre to the City of Weyburn.

In addition to appropriated funds, the Department's funding also includes recovery of costs related to shared services and net budgeting. In total the Department's budgeted funding represents activity of $279 million, summarized as:

2006-2007 Funding

	Budget ($000s)	**Actual** ($000s)
Total Appropriation	34,266	41,427
Expenses allocated to Departments	180,277	190,320
Expenses charged to external clients	64,571	65,190
TOTAL	279,114	296,937

The actual activity in 2006-07 was $297 million; a variance of $18 million. The variance is due in large part to an increase in appropriation for an aircraft lease buy-out and special warrant funding to cover the costs associated with the transfer of the Souris Valley Regional Care Centre. In addition, SPM recovered the cost of two air ambulance aircraft from the Department of Health. Results by subvote and program area are summarized in subsequent pages of the annual report. Detailed payee information will be published in Volume 2 of the 2006-07 Public Accounts.

2006-07 Performance Results

Saskatchewan Property Management is guided by the government's accountability framework, and continually works to improve transparency and accountability by its reporting process. Good reporting practices, which include identification and monitoring of targets, improve performance and assist program managers and departments in making more effective decisions.

Saskatchewan Property Management is working toward setting targets that reflect industry standards and give a more comprehensive picture of the condition of government infrastructure and assets. As this work is incorporated in the Department's performance plans, the Annual Report will reflect those refined measures and targets.

The key actions originally presented in our 2006-07 plan are listed below, followed by a report on actual progress for each. Results are included for all key actions and performance measures that were published in our 2006-2007 Performance Plan as well as for all commitments related to SPM in the government-wide 2006-2007 Performance Plan Summary.

Additional information about SPM performance measures for 2006-07 can be found on the Department's web site at www.spm.gov.sk.ca.

Goal I – Effective and value-added service

Objective 1 – Cost effective services for clients

Saskatchewan Property Management delivers a range of support services to departments and agencies of the Government of Saskatchewan, including accommodation, transportation, mail delivery, and new technology. By providing these support services centrally, SPM is able to capture economies of scale, which help ensure effective and efficient operation and lower the cost of services to SPM clients.

Saskatchewan Property Management continually evaluates its range and delivery of services to ensure the Department is pursuing and achieving its mandate of meeting the needs of clients by delivering the right services at an appropriate price. Because SPM takes responsibility for these support services, individual departments and agencies are more able to focus on their specific mandates instead of day-to-day operational imperatives.

Key results

- Evaluate potential changes to locations on SPM inter-office mail network to ensure cost-effective service delivery for all users of government inter-office mail. [2006-07 planned result]
  - o The evaluation has been completed. A proposed reorganization of the Regina operation was delayed due to a labour disruption.

- Investigate opportunities to enhance paper recycling to provide greater return to government by separating various types of paper. [2006-07 planned result]
  - o The investigation was completed. It was recommended to retain the status quo, as separating types of paper does not enhance the recycling process.

- Implement improvements in inventory management in several business units following the recommendations made in the inventory optimization review completed in 2005-06. [2006-07 planned result]
  - o The Distribution Centre stockroom has reduced its operational inventory of office and paper products, and Mail Services is phasing out the use of prepaid envelopes.

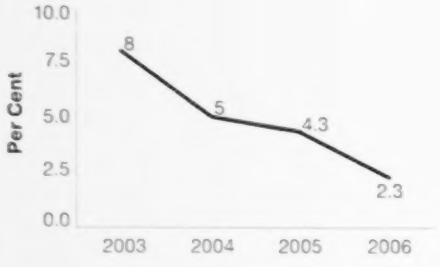
Measurable results

1. Price comparisons for SPM office space compared to the private sector

Result: 2.3% below private sector market price (September 2006)

SPM owns and leases space in buildings on behalf of government. In turn, SPM leases this space to individual government departments. This performance measure shows the cost-effectiveness of centralized accommodation services provided to government departments and agencies by comparing the gross rental rate for office space in Regina and Saskatoon, to the private sector. These two cities are used for the baseline since they represent 68 per cent of SPM's total office building space and comparative market office space information is readily available. Program space that is designed for a specific function, such as a correctional facility or courthouse, is excluded from this measure, as the private sector does not typically provide readily comparable facilities.

Progress to date



SPM's level of influence over this performance measure is high. SPM can influence the rates for office space by how and when it acquires accommodation, through quality specifications, timing of negotiations and Requests for Proposals, and build, buy, lease analysis and decisions.

2. Central Vehicle Agency (CVA) pool price compared to Public Service Commission private vehicle usage rate

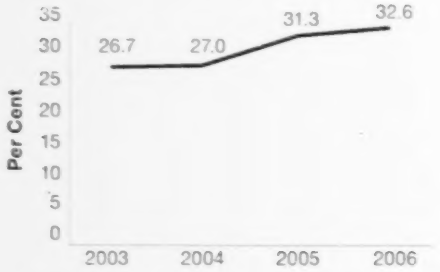
Result: The CVA price* ($0.278/km) is 32.6% below the Public Service Commission rate ($0.413/km) (November 2006)

SPM assembles a fleet of vehicles and rents them to government departments and agencies. Through bulk purchasing and fleet management, SPM can pass significant savings to clients. A pool of vehicles located throughout the province is available for short-term use. CVA charges a per-kilometre fee to cover all fixed and operating costs for the pool vehicles. An alternative is to pay employees the private vehicle usage rate set by the Public Service Commission.

SPM's level of influence over this measure is high. SPM has significant influence on its prices for short-term vehicle usage, although it has no influence on the Public Service Commission's private vehicle usage rate.

Progress to date

The CVA Price* below the PSC rate



* *Base rate for mid-size vehicle, with a minimum distance of 100km per day.*

3. CVA pool price compared to market price

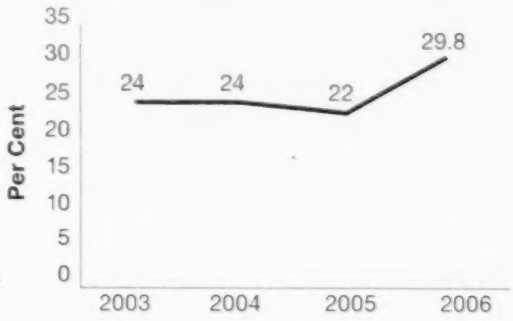
Result: The average CVA pool price* ($0.297/km) is 29.8% below the average market price ($0.416/km) (November 2006)

The comparison is based on an average of three rental company rates for a variety of one to three-day trips for a mid-sized vehicle.

SPM has significant influence over its own prices charged to government departments and agencies, and no influence over market prices.

Progress to date

The average CVA pool price* below the average market price



* *Average price per kilometre for a mid-size vehicle for variety of one to three-day trips.*

Objective 2 – Enhanced client service delivery

As a client-driven organization, SPM goes beyond centralized accommodation and support services to provide service delivery systems that meet its clients' needs. Technology is essential to providing value-added services for clients, and SPM plays an important role in evaluating and implementing services that can improve efficiency and effectiveness.

Key results

- Continue with system and capacity enhancements for the government records centre to ensure government agencies have appropriate, secure, low-cost storage for inactive government records. [2006-07 planned result]
  - o The Distribution Centre acquired an additional two to three years of capacity -- approximately $36,000 worth of archival shelving, or 17,000 boxes.

- Upgrade postal metering and associated equipment in SPM mailrooms and at client sites around the province to ensure compliance with new Canada Post standards to be put in place in December 2006. New standards include application of bar codes on outgoing mail that will allow for higher efficiency in sorting mail by Canada Post. [2006-07 planned result]
  - o This project is substantially complete, with minor software and equipment issues still being addressed.

Measurable results

1. Percentage of clients satisfied with service received for government support, accommodation, transportation and purchasing services

SPM surveys its clients every two years to determine satisfaction with its programs and services. Respondents are asked to rate SPM's service, value for money and needs met using a five-point scale from "very satisfied" to "very dissatisfied." The initial survey in 2004 used a four-point scale, so direct comparison is not possible. The next survey will be conducted in 2008 and will once again use a five-point scale.

SPM has a high level of influence on this measure since it determines the nature, level, price and means of service delivery to clients. A total of 83 SPM clients were surveyed in March 2006 and 68 responses were received. The responses provide a level of accuracy of plus or minus 5.1 per cent, 95 times out of 100.

The following performance measure indicates the percentage of SPM clients that are either satisfied or very satisfied with SPM services, value for money and needs met.

Government support services	72.46%
Accommodation services	64.72%
Transportation services	84.33%
Purchasing services	71.98%
Overall rating	72.55%

(March 2006)

Goal II – Sustainable property infrastructure

Objective 1 – Appropriate facilities and equipment for clients

Providing appropriate facilities and equipment for SPM clients involves management of a life cycle from assessment and acquisition through maintenance and enhancement and, in some cases, ultimate disposal of assets no longer required. The degree to which government employees have adequate space to work and the tools to do their work effectively and efficiently has a direct impact on the level of service provided to the Saskatchewan public.

Key results

- Identify long-term program and space requirement needs in consultation with clients. Focus will be on working with:
  - Justice for court facilities in Lloydminster, Regina, and circuit points;
  - SIAST long-term requirements for all campuses; and
  - Corrections and Public Safety for corrections facilities in Saskatoon and Prince Albert and for young offender facilities across the province. [2006-07 planned result]
  - o Construction has been completed at Regina Queen's Bench Court House and Meadow Lake Aboriginal Court, have commenced at Yorkton Broadcast Place and Punnichy Circuit Court, and design/planning is underway at a number of other locations in the province.
  - o Additional shop space has been added at Kelsey SIAST Campus, and a new Inter-professional Simulation Learning Centre will be added for the Nursing program at Wascana Campus in summer 2007. Renovation plans are finalized at the Palliser SIAST Campus, with construction scheduled to start summer 2007.
  - o Construction to replace the 1913 portion of the Regina Provincial Correctional Centre is approximately 30 per cent complete with anticipated completion in 2008-09.

- Refine the list of core government facilities based on clients' needs in order to allocate limited capital and maintenance funding to priority facilities. [2006-07 planned result]
  - o Minor changes have been made to the list, which now includes 154 buildings in 71 facilities.

- Implement a strategy to continue to meet the government's air transportation requirements. [2006-07 planned result]
  - o One leased King Air 200 aircraft was purchased. In addition, two new King Air 200 aircraft were purchased for Air Ambulance. In 2007-08, one King Air B200 aircraft will be moved from Air Ambulance to Executive Air to replace a decommissioned Cheyenne aircraft.

- Transform public sector communications platform utilizing CommunityNet and VoIP to achieve savings and to enhance public access to government services. [2006-07 planned result]
  - o SPM plans to convert approximately 10,800 Centrex lines and handsets belonging to Executive Government to VoIP during the next three years. This will be accomplished in partnership with the Information Technology Office and SaskTel.

- Canvas clients to review vehicle requirements and identify the number and type of vehicles required to meet client needs. [2006-07 planned result]
  - o SPM compiled and reviewed client requirements, and orders to meet these needs were made March 21, 2007.

Measurable results

1. Proportion of facilities meeting long-term client program needs

Result: 63.6% (March 2006)

SPM's performance in meeting clients' needs, service and value expectations is assessed through a survey sent to clients every two years. Since the initial survey in 2004 used a four-point scale instead of a five-point scale to determine satisfaction, results cannot be directly compared. The next survey will be conducted in 2008 and will once again use a five-point scale.

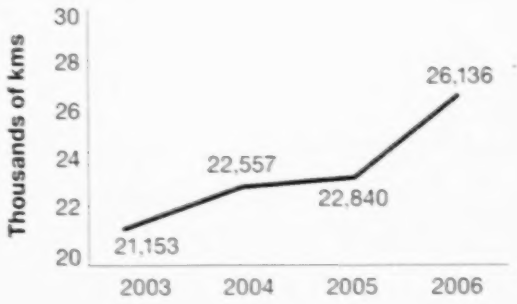
2. Average annual distance traveled per government vehicle

Result: 26,136 km (August 2006)

The average annual number of kilometres traveled per vehicle in the SPM fleet is an indication of the extent to which the vehicles are needed and used by government departments and agencies. A low number of kilometres traveled per vehicle might suggest under-utilization, while a high number of kilometres might suggest more vehicles are required.

SPM's influence over this measure is indirect. As a service provider, SPM determines the composition of the fleet. However, clients determine the extent to which vehicles are utilized.

Progress to date

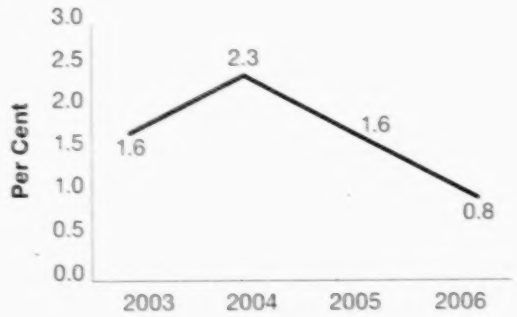


3. Vacancy rate for office space

Result: 0.8% (August 2006)

While it is prudent to have some unused capacity in its buildings to allow for periodic movement and changes of people and programs, SPM believes it is important to have a relatively low vacancy rate to minimize the cost of unused space. This performance measure is designed to demonstrate the effectiveness of SPM in managing the government's space portfolio. SPM office space in Regina and Saskatoon is used for comparative purposes in establishing vacancy measurements, because it collectively represents 68 per cent of SPM's total available office space.

Progress to date



Objective 2 – Affordable and sustainable infrastructure

With more than 500 buildings owned by SPM, a key challenge is to maintain the space to ensure future viability. Limited capital spending for a sustained period has created a backlog of maintenance and major capital upgrading of buildings. As a result, SPM must plan effectively for the future condition of the infrastructure and explore improved methods of sustainable asset management.

SPM's strategy is to concentrate financial investments on targeted core facilities that are occupied by high priority programs and which will be viable for the long-term, considering condition, function and use. Funding for remaining facilities is primarily allocated on the basis of occupant safety and high priority regulatory codes.

Existing performance measures cover the two most significant areas provided by SPM to clients: accommodation and vehicles.

Key results

- Implement major capital construction projects for the following facilities:
  - Regina Provincial Correctional Centre
  - Saskatchewan Disease Control Laboratory

  [2006-07 planned result]
  - o Construction on the Correctional Centre is approximately 30 per cent complete, and construction on the Laboratory is expected to begin in summer 2007.

- Update the capital plan for core facilities based on SPM's priority rating system. [2006-07 planned result]
  - o A five year capital/maintenance plan has been developed.

Capital and major maintenance projects planned for 2006-07 include work in the following buildings:

La Ronge	
Mistasniuk Place	Project complete
Moose Jaw	
Court House	Project substantially complete
SIAST Palliser Campus	Construction scheduled for summer 2007
North Battleford	
Kramer Place	In construction – anticipated completion summer 2007
Mental Health Facility	Planning study underway
Prince Albert	
Correctional Centre	Construction to start 2007-08
L.F. McIntosh Building	Multi-year retrofit – in construction
Pine Grove Correctional Centre	Project complete
SIAST Woodlands Campus	Project complete
Regina	
Century Plaza	Project substantially complete
Cooper Place	In construction - approximately 60% complete

Dunning Place	Project substantially complete
Lloyd Place	Project complete
SIAST Wascana Campus	Project complete
Walter Scott Building	In construction – anticipated completion in 2008-09
Saskatoon	
Saskatchewan Research Council Pilot Plant	In construction
Sturdy Stone Centre	Project complete
Swift Current	
E.I. Wood Building, Swift Current	In design
Yorkton	
Kuziak Building	Project complete

- Upgrade accessibility in eight government buildings at an estimated cost of $1.2 million.
  [2006-07 planned result]

Prince Albert, L.F. McIntosh Building	Ongoing
Regina, Cooper Place	Ongoing
Regina, Wascana Centre Infrastructure	Construction scheduled to begin in 2007-08
Regina, 515 Henderson Drive	Design completed in 2006-07; Construction to begin 2007-08
Yorkton, Kuziak Building	Scheduled for completion summer of 2007

  - o Five out of eight projects are currently proceeding (see above).
  - o Estimated cost has been revised to $1.52 million due to escalating construction costs.

- Implement pricing for life-cycle costs for new and "re-life-ed" facilities:
  - Regina – Lloyd Place and Century Plaza;
  - Meadow Lake – equipment storage building;
  - Carlyle – equipment storage building; and,
  - Yorkton – weigh scale.

  [2006-07 planned result]

  - o Life cycle charges are being applied to Lloyd Place, Century Plaza and the Executive Air administration building in Regina, and to the equipment storage building in Meadow Lake commencing in 2006-07.

Objective 3 — Reduce the environmental impact of government operations

Key results

- Upgrade three government facilities at a cost of $1.7 million to achieve an overall decrease in energy consumption of 16 per cent for these facilities. [2006-07 planned result]
  - o Both the men's and women's Correctional Centres in Prince Albert, as well as the men's Correctional Centre in Saskatoon were upgraded and delivered on budget.
  - o Upgrades are complete, and the energy performance analysis will be completed July 2007.

- Plan and design the new portions of the Regina Correctional Centre, the Saskatchewan Disease Control Laboratory and Century Plaza in Regina to achieve international Leadership in Energy and Environmental Design® (LEED) certification. [2006-07 planned result]
  - o Both the Regina Correctional Centre and the Saskatchewan Disease Control Laboratory are on track to be LEED® "Certified" or "Silver" when they are completed.
  - o SPM will apply for LEED® certification for Century Plaza.

- Continue to assess the availability, cost and viability of hybrid and alternative fuel vehicles, for applicability to government vehicle applications. [2006-07 planned result]
  - o Ninety-five E-85 vehicles (capable of using 85 per cent ethanol blend gasoline) have been purchased in 2006-07.

- Purchase 18.9 million kWhs of green energy (wind generated electricity) which represents approximately 23 per cent of the electricity requirements of government at a cost of $400,000. [2006-07 planned result]
  - o This target has been achieved.

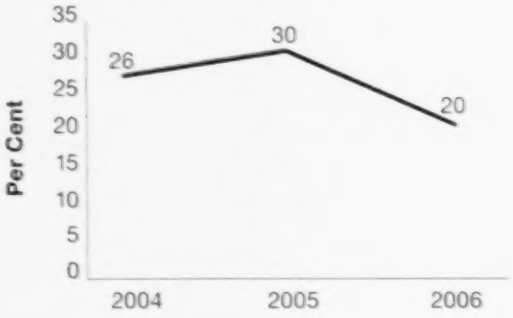
Measurable results

1. Average condition of government buildings (Facility Condition Index)

Result: 20% (November 2006)

To keep buildings in a good state of repair to meet government program requirements and to protect people and the investment in government assets, SPM must continually measure the condition of government buildings. The industry measurement for facility condition is the Facility Condition Index (FCI). The lower the FCI, the better the condition of a facility, while the higher the index the greater chance the facility is showing signs of deterioration. A lower FCI is also a general indicator of a lower deferred maintenance backlog. The level of capital and maintenance funding available for government buildings will directly affect this performance measure.

Progress to date

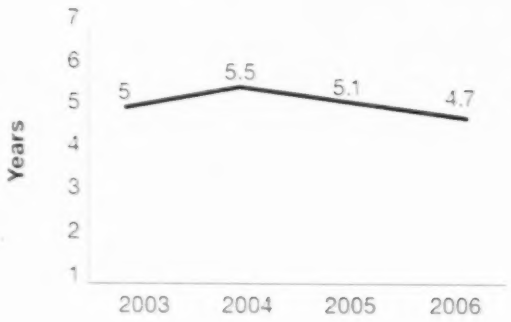


2. Average age of vehicles

Result: 4.7 years (September 2006)

The average age of vehicles is an indication of the overall condition and sustainability of the SPM fleet of vehicles and the need for replacement. SPM has a moderate level of influence over this measure. Each year, SPM surveys clients to determine vehicle requirements, including the number and type of vehicles required; however, government determines the amount of funding available to purchase vehicles. SPM also sets guidelines for vehicle replacement; however, the decision to retain or replace a vehicle once it exceeds the replacement guidelines rests with departments and agencies.

Progress to date

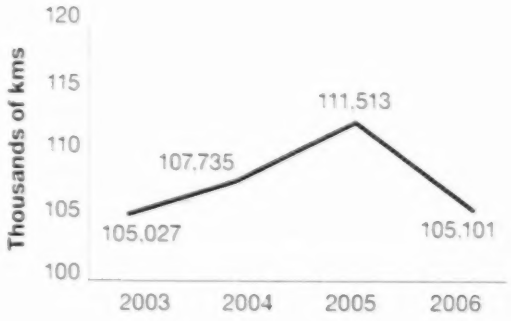


3. Average mileage on vehicles

Result: 105,101 km (September 2006)

The average mileage of vehicles is an indication of the overall condition and sustainability of the vehicle fleet. SPM has a moderate level of influence over this measure. SPM determines the amount of funding available to purchase or lease vehicles. Each year, SPM surveys clients to determine vehicle requirements, including the number and type of vehicles required. SPM also sets guidelines for vehicle replacement; however, the decision to retain or replace a vehicle once it exceeds the replacement guidelines rest with departments and agencies.

Progress to date



Goal III – Partnerships that benefit government and communities

Objective 1 – Facilitate economic development

As Government's procurement agent, SPM is responsible for obtaining goods and information technology services on behalf of government departments using a fair, open and competitive process. In the procurement process, SPM endeavours to obtain the best value for government while seeking to facilitate a high proportion of local suppliers in the provision of goods and services.

Key results

- Following consultations in 2005-06, make policy recommendations regarding procurement from Saskatchewan Aboriginal-owned businesses. [2006-07 planned result]
  - SPM has developed a policy to encourage Aboriginal-owned businesses to participate in the procurement process, which will be implemented in 2007-08.

Measurable results

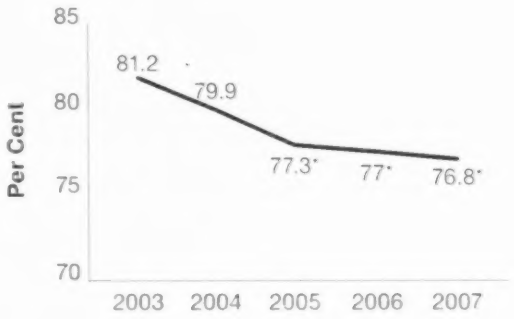
1. **Goods and information technology services sourced in Saskatchewan through SPM's Purchasing branch**

Result: 76.8%*

This measure recognizes procurement can be an effective tool in promoting provincial economic activity and measures the proportion of government business being sourced within the province. SPM has a moderate level of influence over this measure. SPM establishes the procurement process to obtain best value for government and, concurrently, to encourage client departments to support Saskatchewan suppliers.

** Excludes contracts for the purchase of aircraft, as these are one-time purchases of goods not available in Saskatchewan.*

Progress to date



Results are three-year averages ending March 31 of each year.

Objective 2 – Constructive relationships with industry

SPM's relationship with the construction industry and the supplier community goes beyond acquiring accommodation and support services required by government. The Department cultivates a solid working relationship aimed at knowing and understanding the sectors with which we work. This helps SPM ensure we obtain the best value for clients and builds confidence among suppliers that the procurement process is fair, balanced, and transparent.

Key results

- Review business processes for government acquisition of services and make recommendations to bring about a more consistent approach for service contracting by all government departments. [2006-07 planned result]
  - o SPM has conducted several procurement training sessions/workshops (including service contracting) for the departments of Community Resources, Information Technology Office, and Environment, and has worked with Justice to conduct a legal review of our competition and agreement templates.
  - o SPM is currently working on a guide to service contracting for government procurement personnel.

- Investigate, research, and develop options for government to receive and evaluate bid submissions electronically. [2006-07 planned result]
  - o Electronic bid submission will be addressed as part of SPM's overall web strategy, which includes SaskTenders. Implementation is planned for 2007-08.

- Host a third Purchasers' Showcase in early 2007 that brings together buyers and Saskatchewan suppliers interested in selling goods and services to the public sector. [2006-07 planned result]
  - o SPM successfully held its third Purchasers' Showcase on March 21, 2007, with positive feedback from participants.

Measurable results

1. Level of industry satisfaction when dealing with SPM's Purchasing branch.

Result: 92.6% (December 2004)

SPM has a responsibility to ensure suppliers have confidence in the government procurement process. A supplier survey is used to measure supplier satisfaction with SPM's procurement process. A survey was distributed to 3,281 suppliers with 487 replies, or a 14.8 per cent response. Suppliers were asked in 13 questions using a four-point rating scale, ranging from "very satisfied" to "very dissatisfied" in rating their dealings with SPM's Purchasing branch. The performance measure indicates the percentage either "satisfied" or "very satisfied." The next survey will be conducted in May 2007, and will be included in next year's annual report.

2006-2007 Financial Results

The following table outlines information on actual and budgeted expenses and capital asset spending by subvotes and programs. Capital asset spending includes amounts spent on capital acquisitions on behalf of other departments for which SPM recovered the expenditures. The table also identifies the amounts allocated to departments as internal recoveries and amounts charged to clients external to the GRF. Explanations are provided for significant variances.

Central Management and Services (PM01)

	Estimated ($000s)	Actual ($000s)	Variance ($000s)	Notes
Executive Management	614	410	(204)	1
Central Services	7,712	7,618	(94)	1
Accommodation Services	607	607	—	
Allocated to Services Subvotes	(8,933)	(8,635)	298	1
	—	—		

Accommodation Services (PM02)

	Estimated ($000s)	Actual ($000s)	Variance ($000s)	Notes
Operations and Maintenance of Owned Property	80,380	72,470	(7,910)	2
Operations and Maintenance of Leased Property	49,324	48,944	(380)	2
Accommodation Costs Incurred on Behalf of the Legislative Assembly	2,818	2,753	(65)	2
Program Delivery and Client Services	24,091	34,863	10,772	3
Wind Energy	400	400	—	
Energy Performance Investments	2,140	1,954	(186)	4
Accommodation Allocated to Departments	(109,494)	(116,733)	(7,239)	5
Accommodation Charged to External Clients	(41,481)	(38,036)	3,445	5
	8,178	6,615	(1,563)	

Project Management (PM03)

	Estimated ($000s)	Actual ($000s)	Variance ($000s)	Notes
Regina Provincial Correctional Centre	14,663	11,182	(3,481)	6
Saskatchewan Disease Control Laboratory	11,096	2,254	(8,842)	7
Other	1,575	5,139	3,564	8
Project Management Allocated to Departments	(27,334)	(18,510)	8,824	
	—	65		

Purchasing (PM04)

	Estimated ($000s)	Actual ($000s)	Variance ($000s)	Notes
Purchasing	1,764	1,527	(237)	9

Transportation Services (PM05)

	Estimated ($000s)	Actual ($000s)	Variance ($000s)	Notes
Vehicle Services	29,800	32,694	2,894	10
Air Services	7,718	19,796	12,078	11
Allocation to Departments	(22,455)	(35,917)	(13,462)	12
Charged to External Clients	(15,063)	(17,471)	(2,408)	12
	—	(898)		

Government Support Services (PM06)

	Estimated ($000s)	Actual ($000s)	Variance ($000s)	Notes
Mail Services	10,807	10,957	150	13
Telecommunication Services	12,192	11,962	(230)	14
Distribution Centre and Other Services	6,022	5,589	(433)	15
Government Services Allocated to Departments	(20,994)	(19,160)	1,834	16
Government Services Charged to External Clients	(8,027)	(9,683)	(1,656)	16
	—	(335)		

Asset Disposal (PM09)

	Estimated ($000s)	Actual ($000s)	Variance ($000s)	Notes
Asset Disposal	—	5,100	5,100	17
	—	5,100		

Major Capital Asset Aquisitions

Major Capital Assets (PM07)

	Estimated ($000s)	Actual ($000s)	Variance ($000s)	Notes
Land, Buildings and Building Improvements	7,100	8,064	964	18
Equipment	17,224	21,024	3,800	19
	24,324	29,088		

Explanation of major variances:

1. The savings were primarily the result of salary savings due to vacancies and delays in the staffing process. Central Management and Services costs are allocated to the other subvotes, the total allocation is reduced accordingly as actual costs were allocated.

2. Actual energy and electricity costs were lower due to lower utility prices and lower utilization as a result of a warmer than seasonal winter.

3. Additional cost of approximately $11 million due to higher than budgeted spending on minor/ preventative maintenance projects. The additional spending was due to increased client projects. The costs of these projects were recovered from clients.

4. Energy Performance Investments spending was less than budget due to labour disruption in the last quarter.

5. Recoveries were more than budget by approximately $4 million. The variance is due to higher than budget spending for client capital projects partially offset by pricing adjustments ($6.5 million in total) that were made to reflect lower electricity, energy, and salary costs that occurred during the year. The pricing adjustment was provided to clients through credit invoices distributed near the end of the fiscal year.

6. The timing of the beginning of the Regina Provincial Correctional Centre project was later than originally planned. Construction will continue in 2007-08.

7. The Saskatchewan Disease Control Laboratory project progressed slower than the original schedule due to a change in the design and the tendering process being delayed until January/ February 2007 resulting in reduced costs during 2006-07. Construction will continue in 2007-08.

8. The SIAST – Kelsey Project, which included a capital addition to the building, was funded through Supplementary Estimates by Advanced Education and Employment.

9. The majority of the variance in Purchasing is due to salary cost savings resulting from position vacancies.

10. The Vehicle Services variance includes higher costs than anticipated, mainly due to increased fuel and repair expenditures resulting from rising costs and a larger vehicle fleet.

11. The Air Services variance results mainly from the purchase of two new air ambulance aircraft on behalf of the Department of Health. The expenditure of approximately $11.8 million was offset by internal recoveries. The Department of Health paid for the purchase of these aircraft, which are used solely for Air Ambulance service. Other increased costs include the increased lease costs related to the buy-out of the leased aircraft.

12. Transportation charges to departments and external clients were higher than budget due to the recovery from the Department of Health for two new air ambulance aircraft and due to increased CVA rates.

13. The Mail Services variance results mainly from higher postage costs and postage meter purchases.

14. The Telecommunication expense variance is largely due to salary savings as the program experienced vacancies during the year.

15. The Distribution Centre spent less in 2006-07 than anticipated due to lower demand which resulted in lower cost of goods sold.

16. The Government Services recovery variance is the result of increased activity levels in 2006-07 for Mail Services and Telecommunication Services.

17. Additional funding was provided through the special warrant process for decommissioning costs under the terms of an agreement to transfer Souris Valley Regional Care Centre to the City of Weyburn.

18. Capital costs were higher than budget primarily due to the reclassification of Dunning Place renovation project as a capital project. Additional funding was provided through virements from other subvotes.

19. The equipment acquisition variance results from an increased quantity of vehicle purchases and the purchase of an Executive Air aircraft through the exercise of a lease buy-out option. Incremental funding was approved by the Legislature in the fall of 2006 and the remaining difference was covered through virements from other subvotes.

2006-2007 GRF Revenues

The following table outlines information on actual and budgeted revenues that are credited directly to the GRF.

	Budget ($000s)	Actual ($000s)	Variance ($000s)	Notes
Receipts from other Governments				
Federal Revenue	180	6	(174)	1
Other	—	1,911	1,911	2
TOTAL	180	1,917	1,737	

Explanation of major variances:

1. The "Federal Revenue" included in the budget reflected anticipated rebates related to implementing LEED® and achieving energy performance goals through building retrofits. This program was changed by the federal government and SPM did not receive any of the rebates previously anticipated.
2. The majority of "Other" revenue is a refund of prior year expenses, which is accounted for as GRF revenue.

For more information

For general information about SPM, visit www.spm.gov.sk.ca

Other important SPM web sites:

www.sasktenders.ca
www.sasksurplus.ca
www.shopspm.com

For information about the Government of Saskatchewan, visit www.gov.sk.ca

For specific enquiries related to this report, please contact:

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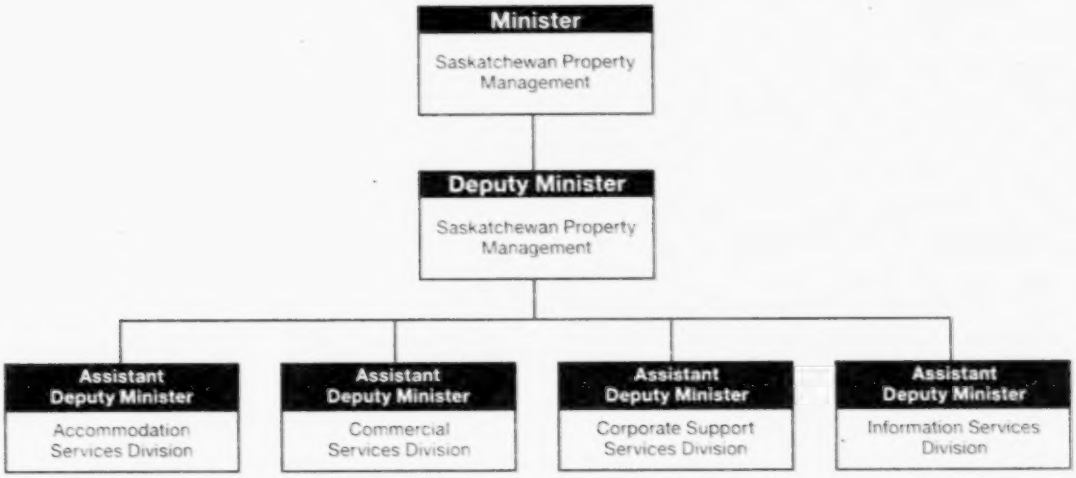
Communications
1920 Rose Street
REGINA SK S4P 0A9
phone: (306) 787-5959
fax: (306) 787-8582

Appendix A – Organizational Chart



Appendix B – Key Pieces of Legislation

Key pieces of legislation for which Saskatchewan Property Management is responsible:

- *The Public Works and Services Act*
- *The Purchasing Act, 2004* and *The Purchasing Regulations*
- *The Saskatchewan Applied Science Technologists and Technicians Act*
- *The Architects Act*
- *The Interior Designers Act*